

Montana Wheat and Barley Committee  
Fall Board of Directors' Meeting  
October 26-27, 2005  
W.H.E.A.T. Building Conference Room  
Great Falls, Montana

*(Please read entire set of minutes as various topics are referenced in more than one place.)*

Chairman Don Fast called the meeting to order at 8:00 a.m. Wednesday, October 26, 2005. The following were present for either a portion of or for the entire meeting:

**Directors:**

Don Fast	Dan DeBuff
Janice Mattson	Karen Schott
Brian Kaae	Robert Candee

**Ex-Officios:**

Nancy K. Peterson, Director; Montana Department of Agriculture (MDA)  
Dr. Jeff Jacobsen, Montana State University (MSU) Dean; College of Agriculture (COA) and  
Director; Montana Agricultural Experiment Station (MAES)  
Marvin Blodgett, Grain Merchandiser; General Mills

**Staff:**

Kim Falcon, Executive Vice President  
Cheryl Tuck, Information Specialist  
Kolleen Spurgin, Administrative Assistant

**Guests:**

Joel Clairmont, Deputy Director/Administrator; MDA  
Tim Meloy, Attorney; MDA  
Terry Whiteside, Freight Traffic Consultant; Whiteside and Associates  
Leonard Schock, Past MW&BC Director, Vida and Vice Chairman; U.S. Wheat Associates  
(USWA)  
Keith Schott, President; Montana Grain Growers Association (MGGA)  
Richard Owen, Executive Vice President; MGGA  
Jon Stoner, Vice President; MGGA  
Darin Arganbright, Secretary; MGGA  
Lochiel Edwards, Past President; MGGA  
Will Roehm, Producer and Board Member; MGGA  
Frank Schoonover, Producer  
Bryan Schoonover, Producer  
Fred Elling, Producer/Past MW&BC Director  
Knud Grosen, Producer  
Steve Bahnmler, Producer  
Duane Beirwagen, Producer  
Dan Works, Producer  
Ernest Bahnmler, Producer/Past MW&BC Director  
Kathy Seacat, Administrator; Central Services Division (CSD), MDA  
Terry Kockler, Personnel Specialist; CSD, MDA  
Mary Hunt, Fiscal Officer; CSD, MDA

Chairman Don Fast opened the meeting by asking everyone present to introduce themselves, starting with the MW & BC's new Executive Vice President, Kim Falcon, and newly appointed director for District VII, Robert Candee.

Discussion of the upcoming agenda took place, with changes made for public comment to be held after lunch at 1:00 p.m., followed by Director Nancy Peterson giving the MDA update. The agenda was approved and accepted with minor changes.

Cheryl Tuck presented the Summer Board Meeting Minutes and inquired if any additional changes were required since the last draft was submitted.

**1) M/S/C Brian Kaae/Karen Schott** - That the July 7-8, 2005 minutes be approved, with minor changes.

Kolleen Spurgin reviewed the FYE 2005 and July FY 2006 Financial Reports. Discussion was held regarding updating the graphs and spreadsheets on the financial statement for better clarity and understanding. No motion was made to approve financials, to date.

MW&BC Executive Vice President Kim Falcon discussed issues the Canadian Wheat Board (CWB) has been involved with including: current spending outlook and trying to present a more positive image to help build future partnerships. The CWB would like to discuss similar issues with the U.S. prior to World Trade Organization (WTO) meetings.

Chairman Fast stated North Dakota could possibly call for support concerning the challenge of the CWB. Fast asked for comments on what should the Committee's position be if ND asks for support? MW&BC directors discussed past support to ND for their part in challenging the CWB and possible future support. The Committee would like to show good faith in this matter, as the producers in Montana benefit, as well. Tuck mentioned ND would take any kind of support, for example letters to the editor, etc.

Ms.Falcon detailed the MW&BC FY 2005-06 Trade Team Visits. Falcon reported the main areas of focus for the trade teams centered on crop quality, as well as chemical residue testing and Montana's ability to provide accurate, reliable test results.

Dan DeBuff and Janice Mattson presented the USWA and Wheat Export Trade Education Committee (WETEC) updates. Discussion was held about whether the trade team visitors were interested in Hard White Wheat (HWW) and barley. Japanese visitors showed no interest in HWW, as they did not want to interfere with any existing trade agreements. Taiwanese and Philippine visitors asked specifically about the availability of HWW and showed some interest in barley. Ms. Tuck noted in the past, all importer groups traveled together in one group, but increased Montana competition has driven the trade teams to travel independently now. Foreign market buyers are exploring ways to establish more quality control measures of purchased wheat and barley.

Ms. Falcon polled the Committee regarding the USWA Asia trip scheduled November 2 -19, 2005 and the possible benefits associated with representation. USWA indicated the MW&BC representative would make several presentations to Taiwan and Korea on the foreign tender

process, containerized shipment and costs and how we ship grain to the Pacific Northwest (PNW).

Chairman Fast informed the Committee he would be testifying in Scobey at the upcoming rail hearing Friday, October 28, 2005. He stated BNSF gets fifty percent of his crop with the excessively high freight charges and fuel surcharges. Add the \$1 a bushel cost of the Certificate of Transportation (COT) and it is almost the same to ship by truck or rail, especially in the eastern part of Montana.

Discussion came up concerning Leonard Schock and his Vice Chairmanship on the USWA Executive Board. Schock informed the Committee that he must be officially assigned as MW&BC's delegate to be allowed to continue on the Executive Board for USWA. Also, Schock informed the Committee he will become Chairman of the USWA Executive Board next year, but will lose voting rights, so another MW&BC director will have to be assigned to USWA to maintain all voting rights based on membership dues.

**2) M/S/C Dan DeBuff/Karen Schott** - That the MW&BC designate Leonard Schock as its delegate to the USWA Executive Board to continue his assignment as Vice Chairman with travel expenses to be paid by MW&BC, while seated on the Executive Board. The motion passed unanimously.

Discussion was held regarding travel authorization for Ms. Falcon and Ms. Tuck to attend the upcoming USWA meeting in Portland, Oregon.

**3) M/S/C Dan DeBuff/Brian Kaae** – That the MW&BC approve travel for Ms. Falcon and Ms. Tuck to attend the USWA meeting in Portland. The motion passed unanimously.

Discussion was brought up again concerning Ms. Falcon being the MW&BC representative on the USWA Asia trip, with the maximum cost to be no more than \$10,000.

**4) M/S/C Karen Schott/Janice Mattson** - That the MW&BC approve travel for Ms. Falcon for the USWA Asia trip with a maximum cost of no more than \$10,000. The motion passed unanimously.

DeBuff made a motion to allow the MW&BC directors coming off the board to continue serving as the Committee's delegate through the entire time assigned to a national organization's executive board and pay for travel expenses associated with executive board meetings. The motion died on the floor due to lack of a second.

Leonard Schock, USWA Vice Chairman, thanked the Committee for all the support and for the motion just passed allowing him to continue being Montana's representative in USWA. Schock stated the upcoming Asia trip has been well attended in the past, with highly sought-after information. Montana is known for high quality wheat, but we need to remember where to source wheat and be open and honest in all dealings and never hide anything. The Committee must realize that markets are always changing noting that the latest MT production numbers show an increase in winter wheat bushels over spring wheat bushels for crop year 2005. This makes MT more of a winter wheat producer than spring wheat for the first time in several years. Winter wheat exports are currently up. We need to keep educating overseas buyers regarding

blending of our high quality wheat with lesser quality wheat to achieve the desired quality for the best-finished product. The world picture has decreased by two million metric tons, due to keen export competition. Schock commented USWA was well represented in Morocco with over 1,000 attendees. Foreign Agricultural Service (FAS) was there and commented on the top-notch work done by the USW staff that were present at the meeting. FAS people felt that the presentation made by Dick prior and others “slam-dunked” the presentations given by the Canadians and Aussies, as far as being productive useful information.

Director Peterson expressed concerns of moving FAS offices and stated the U.S. must continue its' current production level. We can't afford to lose any market share.

Schock informed the Committee that the 2007 USWA Summer Board meeting is to be held in Montana, as it is typically held in the state of the current USWA chairman. The meeting is usually held between July 15 and August 15, with attendance of approximately 70 people, but Schock will try to encourage USWA to have the meeting in June before the July 4<sup>th</sup> holiday, as normal harvest season starts at that time. The last USWA meeting held in Montana was in Kalispell, but the city designation is out of the Committee's hands, as USWA is responsible for the planning and financial aspects of the upcoming meeting. Schock commented on the Committee having been short in payments to USWA in 2001 by approximately 200K. He feels MW&BC should show its support by making up this shortfall if possible, in \$50,000 increments over several years.

Discussion regarding the merger of USWA, WETEC and National Association of Wheat Growers (NAWG) was initiated with DeBuff stating the reason Montana voted against the merger was over concerns that the control of the new organization might not reside with those that are responsible for and represent the producers' check of f dollars. South Dakota's position for its “no-vote” were exactly the opposite, stating the growers would not have enough control. The failed NAWG vote indicated that the majority of that board also felt the growers would not have enough control. Washington and North Dakota have formally indicated that they do not want another merger vote. For now, they want to get on with the 2007 Farm Bill and WTO issues. DeBuff expressed support of some type of joint communication with Montana's producers to shelve consolidation as a united front until the healing process is complete and we can work together again on some kind of compromise. Since MGGA indicated it was not in favor of signing a joint letter, DeBuff suggested that the MW&BC should write a letter stating its' position on consolidation issues and the need to move on to other important areas of focus.

Ms. Schott indicated that education of the industry is very important to get a feel for improving how national and state organizations accomplish goals; with ever-changing technology there may be more efficient and effective methods that could be utilized to help with the bottom line for producers.

After a brief break, Keith Schott, Richard Owen and Jon Stoner presented the MGGA, NAWG, National Barley Growers Association (NBGA), Marketing Club and MontanaMarketManager updates. Schott stated MGGA had finished this years' listening sessions, with some sessions better attended than others. There was good input on all topics with Conservation Security Program (CSP) and Conservation Reserve Program (CRP) being the hot issues. Carl Mattson did an excellent job of describing CSP during the meetings. MGGA plans to put Mattson on the road and do workshops on this issue. Owen informed the Committee that Lola Raska, Policy

Associate/Website Manager, had retired. Raska wrote a guest edition for the November issue of the MGGA newsletter. MGGA is looking at staffing changes to reflect new organizational needs. LynMarie Laurens will take over the website. Carla Smith, bookkeeper for MGGA, will become fulltime in December. Carl Mattson started part-time in October, with half of his time devoted to farm policy and the other half to conservation programs. Mr. Schott reviewed plans for revisions on sprout damage for the Risk Management Agency (RMA) using one sample per bin. NAWG & NBGA met continually with the RMA on various issues of concern to both organizations.

Karen Schott presented the Wheat Foods Council (WFC) update. Ms. Schott stated the new WFC President, Marcia Schiedeman, was fitting in well. WFC has been very pleased with the new public relations firm hired recently and is excited about their entire website being updated. WFC has sponsored a jump drive and CD media kits geared to various influencers, which are now available for order. The U.S. Department of Agriculture (USDA) and WFC have been in the process of developing tool kits for educational distribution. Also, the children's version of the new USDA food guide is now available.

Ms. Tuck mentioned hearing about an upcoming Administrator's meeting at the USWA meeting in Portland but didn't have any details, except there would be listening sessions. She also spoke with the representative from the Nebraska Wheat Commission regarding a communicator's meeting scheduled for later this year.

Ms. Mattson asked to delay the National Barley Foods Council (NBFC) update until the next day to allow time to check with the NBFC office again regarding the additional \$5,000 in funding that had been contingent on receipt of a special grant.

Chairman Fast presented the U.S. Grains Council (USGC) Summer Board Meeting report. Chairman Fast informed the Committee he had applied for a seat on the Asian A-team, but wouldn't be attending the next meeting in Mexico due to the MW&BC having its December half-day meeting the same day. The FAS is financially responsible for these meetings, which are held outside the U.S. due to funds being allocated and restricted to foreign countries only. North Dakota and Montana both received great benefits being the only barley-producing states. USGC rotates commodities with emphasis on corn. Mr. DeBuff commented the reason USGC changed the name from U.S. Feed Grains Council was because people didn't want to buy food from a feed store. Chairman Fast mentioned foreign buyers liked the white color and heavy test weight of U.S. barley. The U.S. needs to keep a presence in Iran, Saudi Arabia, Iraq, etc. to keep a foothold for future market development expansions. USGC has a new member-mentoring program to help get them up to speed on issues and areas of focus.

Director Peterson addressed the issue concerning the hire of the MW&BC Executive Vice President. Director Peterson introduced and asked MDA Attorney Tim Meloy to go through the states' hiring process to address concerns expressed regarding the hiring of the MW&BC executive vice president. Mr. Meloy decided to start with background information. Montana has had two constitutions, the last adopted in 1972, which require all government agencies to be administered by state government in a logical fashion. The 1972 Montana State Constitution indicates Montana must have a Department of Agriculture and a Department of Labor with agencies attached to individual departments for administrative purposes only. Montana statute is clear regarding separate agencies of state government that have a statutory charge to collect

check-off dollars for specific needs. The hiring function is reserved to the Department of Agriculture to make sure the staff gets the Committees' work done.

Mr. Meloy reviewed the initial hiring process, which began with the Martz administration and past DOA director, Ralph Peck. Mr. Peck deferred the hiring decision to the new administration and its' newly appointed Director of Agriculture, Nancy Peterson, until after taking office January 3, 2005. Mr. Meloy stated, based on the Montana's recruitment selection process, the position description had to be reviewed prior to making offers to the top applicants. Director Peterson then decided, after receiving several inquiries regarding the executive vice president vacancy, to re-open the position as advised by legal counsel. The top two applicants from the initial hiring process were notified and encouraged to participate in the second hiring process with a guaranteed interview. The top two applicants from this second round were the same two from the initial hiring process. Director Peterson made an offer to the top applicant who did not accept the position. The position was then offered to the second applicant who also chose to decline. Director Peterson decided to start all over and reopened the MW&BC executive vice president position for a third time. The appropriate recruitment selection process was followed and the applicants were narrowed down to the five applicants who were interviewed by the hiring committee, including Director Peterson, MW&BC Chairman Fast, Kathy Seacat, Tim Meloy and Joel Clairmont. Following the first interview process, Director Peterson stated to the hiring committee she wanted to "sleep on it" before making a final decision. After "sleeping on it", Director Peterson decided to do a "one-on-one" interview with two applicants, which consisted of twenty questions she had put together regarding research, marketing and trade negotiations in consultation with Tim Meloy, Kathy Seacat, and Joel Clairmont. Director Peterson offered Kim Falcon the MW&BC executive vice president position based on this final one-on-one interview session.

Discussion arose regarding several other times of interest in MW&BC past history. Back in 1991, MW&BC directors felt the bureau chief position wasn't adequately compensated and all MW&BC staff positions were re-vamped, with all positions exempted from the state pay plan. The bill passed, with amendments that stated the "only position" exempt from the state pay plan and state hiring policy was the Bureau Chief/Executive Vice President position. The only requirement for hiring the executive vice president position must be that a competitive hiring process be followed. Director Peterson did not have to go through the process, but chose to do so anyway. Controversy over the entire hiring process has made at least one MW&BC director feel the Committee is entitled to analyze information submitted by all of the applicants for the executive vice president position. Mr. Meloy stated the hiring process had integrity and the Department of Agriculture could not disclose any applicant information due to Federal privacy act policies. Mr. DeBuff questioned whose responsibility it was to set salary for the MW&BC executive vice president. Mr. Meloy informed the Committee the MW&BC directors can give input and both the Committee and the Department of Agriculture can come to terms on questions of compensation. Mr. DeBuff emphasized it should be the MW&BC's responsibility to set salary for the executive vice president. Mr. DeBuff asserted he was interested in getting answers to questions being asked by producers. Chairman Fast stated salary was brought up during the interview process and he suggested a range of \$55,000 to \$65,000.

Ms. Mattson inquired what determined the criteria used in the final "one-on-one" interview with Director Peterson of the final two candidates that were asked for this second interview. Director Peterson informed the Committee, she in conjunction with Tim Meloy, Kathy Seacat and Joel

Clairmont, put together twenty questions involving research, marketing, and trade negotiation issues to ask the final two candidates and based her final decision on that interview as well as the rest of the hiring process. Ms. Mattson asked if ranking had been assigned to the final applicants. Director Peterson was unable to answer the question due to the privacy act policy. Mr. Meloy advised the Committee that there are always degrees of subjectivity used in the selection of new hires.

Janice Mattson asserted more people should have been involved in the screening process due to the higher level of responsibility of the MW&BC executive vice president position. Mr. Meloy reiterated the state of Montana hiring policy was used in determining the best candidate for the executive vice president position, even though Director Peterson did not have to use this policy. A question was raised regarding concerns of local producers on the length of time taken to fill the executive vice president position and hiring policy used to make the final decision. Mr. Meloy stated Ms. Falcon could provide information to the Committee herself, but the state cannot release any applicant information due to the privacy act. Ms. Falcon was asked if she would give permission to provide her resume to the Directors of the Committee. Ms. Falcon indicated she would have no problem with this, and was asked by the Directors to please forward to them, copies of her resume for their review. There was some discussion that a bio had been prepared that would be included in future editions of various state agricultural publications sharing with the producers who Kim Falcon is and what her background has been.

Past DOA Director Ralph Peck had previously stated to the Committee that it was his responsibility to choose new hires for the MW&BC, but felt it was important to include the directors in the process. Mr. DeBuff questioned the two-month lag time in making offers to the top candidates in the initial hiring process after the new administration took office. Kathy Seacat stated Equal Employment Opportunity Commission (EEOC) guidelines had to be followed in all state hiring processes. Mr. DeBuff voiced concerns expressed by producers that the state was taking over the MW&BC, and if that was the case, they may start requesting refunds of the assessment on wheat and barley. He further commented that the MDA has always taken heavy input from the MW&BC directors in the past. Mr. DeBuff said that many producers feel the directors have been excluded from participating in the hiring process of the MW&BC executive vice president and it may take some time to regain that trust. Director Peterson shared final statements regarding this issue. There are many people who are concerned and interested in being part of the MW&BC. Being the Director of Agriculture, I am responsible for the work that gets done through the MW&BC and being a producer myself, I know how very important the MW&BC is to all producers in Montana. Finally, the last executive vice president Jim Christianson was hired back in 1970, well over 30 years ago. The state hiring policy hasn't been an issue for some time and no real standard has been adopted. Discussion on this issue closed.

Director Peterson presented the Montana Department of Agriculture update. Director Peterson reported on the recently concluded Japan tour promoting U.S. beef, which included two well-attended seminars in Tokyo. The entire delegation distributed handkerchiefs with the slogan "Beef's what's for dinner". Director Peterson concluded the Japanese trip was a huge success and hoped it would help to re-establish market share of the U.S. and, in particular, Montana beef.

Director Peterson mentioned two rail hearings scheduled: one in Big Sandy and one in Scobey. Mr. Kaae and Chairman Fast plan to attend the hearings.

Director Peterson commented on a 2007 Farm Bill task force recently held in New York stating there will be a follow-up meeting in Kansas City to further the committee's work. Director Peterson informed the Committee the budget process would be starting up again next month. She noted the MDA has provided funding for various value-added products. Director Peterson stated the State Grain Lab (SGL) bureau chief position was open.

Ms. Falcon reported on the Identity Preserved (IP) issue regarding sourcing Montana wheat, with the opportunity to have railcars inspected here in Montana and then again at the load facility in the PNW. The wheat will be required to go through a load facility where some mixing of wheat will occur. If the buyer is interested in pure wheat, a private load facility would have to be built or the wheat would have to be containerized to ensure purity.

The Committee adjourned for lunch at noon and reconvened at 1:00 p.m. with Chairman Fast asking for public comment.

Duane Beirwagen, a producer from Big Sandy, thanked the MW&BC for all the hard work done in the hiring process of the executive vice president. The first go around culminated with a unanimous vote for one candidate. Why did the process go through a second and then a third round of candidates? Mr. Meloy gave the presentation to the guests that had been given earlier to the Committee. Director Peterson stated again that she was responsible for making the decision on the final selection for the MW&BC executive vice president position.

Knud Grosen commended the MW&BC on getting through these difficult times. Grosen strongly voiced concerns that the change in administration should not have affected the MW&BC's first choice candidate for the executive vice president position in the initial round of the hiring process. Mr. Grosen felt the second and third rounds in the hiring process for the executive vice president smelled of political input. Mr. Grosen also stated funding should not arbitrarily be taken from the Committee and given to the SGL. Director Peterson commented she had nothing to do with funding for the SGL; in 2003 the legislature mandated the MW&BC help support the SGL in lean times. The hiring of the MW&BC executive vice president was not a political appointment - it was a hiring process used by the state of Montana that considered all interested applicants.

Karen Schott expressed discontent concerning the hiring process as well. Director Peterson maintained she made the final decision based on a second interview, including the entire hiring process with two candidates and chose Ms. Falcon. Ms. Schott asked Director Peterson to go back over what had been conveyed to the Board earlier for the benefit of the guests. Director Peterson reiterated she didn't want to base her decision solely on pat black and white answers so she, in conjunction with Tim Meloy, Kathy Seacat and Joel Clairmont, came up with twenty questions that took into account various aspects including experience with the public, international travel and research. Director Peterson then proceeded to have a "one-on-one" interview with the two candidates. The decision was based on what is best for Montana producers, and most importantly, the industry. Mr. Grosen emphasized that what bothered him the most about the whole process was the fact the MW & BC's input was ignored. He also said "Do not dishonor the MW&BC board of directors by not accepting their judgement, especially on such a vitally important aspect of the MW & BC." Ms. Mattson inquired as to why all five top candidates had not been offered the opportunity to answer the additional twenty questions and have the "one-on-one" interview with Director Peterson. Director Peterson stated it was a



time sensitive issue to only offer the second interview and additional questions to the top two candidates.

Will Roehm emphasized the process is what is being questioned, not the individual hired. The MW&BC directors should not have been excluded from major decision-making processes. Mr. Meloy interjected the MDA can take full responsibility of hiring without Committee input. The producer guests stated they were familiar with the rules and then asked Mr. Meloy and Director Peterson what the definition of "advice and consent" meant to them. Darin Arganbright informed the Committee, that he had looked up the Montana Codes Annotated on the state of Montana website which states that the MW & BC staff is hired with the advice and consent of the Committee. Steve Bahnmler asked Chairman Fast if he was happy with the process used to hire the MW&BC executive vice president. Chairman Fast replied he would have liked at least two MW&BC directors involved in the hiring process. Mr. DeBuff stated there wasn't advice or consent of the MW&BC on the hiring of the executive vice president. Ms. Mattson added that the agriculture industry knows nothing very little about who Ms. Falcon is and what her background entails. Karen Schott emphasized the Committee, as a whole, could have gotten much more out of the process if they had been involved.

Lochiel Edwards, past president of MGGA, commented Montana has the lowest wheat and barley assessment refund rate in the nation of check-off organizations because the producers' talk to each other about what the MW&BC does with the funding. Mr. Edwards asked what would erode the confidence in the MW&BC to accomplish goals: 1) exclusion of the Committee in the hiring process; 2) budgeting or disbursement of funding without express consent of the Committee; 3) intent of action to legislate where funding will be allocated and 4) removal of Committee directors. Edwards stated perhaps the Montana Codes Annotated should be changed, as what is best for the industry and the MW&BC, should be decided by producers.

Dan Works inquired why there was still no director appointed for District IV, when a good director had already been in place. Karen Schott stated the reason MW&BC directors' served three three-year terms is because it takes a good six years to become eligible for a leadership position in the national organizations like USWA and USGC. Mr. Kaae commented you would be out before you could get involved with these national organizations if the three terms ended early. Janice Mattson reiterated "Why work hard to be selected to sit on a national organization's executive board if you may not be reappointed to finish out the term? And, it also isn't fair to expect a newly appointed director to have the same knowledge and expertise to take on these responsibilities at the same level as the director being replaced."

Fred Elling voiced concerns of the MW&BC possibly losing continuity, which is everything when it comes to directors being able to serve out the entire term for these national organizations, considering the amount of time it takes to become eligible to serve on national boards. Elling informed the Committee that Kansas has become political and is concerned the same will happen here in Montana. It is important to all farmers in all districts that Montana does not follow that same path.

Ernie Bahnmler commented that the governor's role in regard to the hiring process of an Executive Vice President has always been a formality only. The MW& BC's primary focus has been and still is research and market development of wheat and barley grown in Montana. The SGL has had financial difficulties in the past and has been kept alive through funding from the

MW & BC. Mr. Bahnmitter emphasized it doesn't matter what political affiliation you are, democrat or republican - we all eat the same bread. Steve Bahnmitter asked if Governor Schweitzer was taking advice from grower and farm organizations regarding the director for District IV, and also what exactly were the qualifications to be considered for this appointment. Mr. Meloy informed the Committee and guests of the requirements for consideration for MW&BC directors which are: each appointed director must be a Montana citizen; derive a substantial portion of income from wheat and/or barley; be a resident and have farming operations in the district from which appointed; and finally, no more than four of the appointed members may be of the same political party, as stated in the Montana Codes Annotated.

Marv Blodgett presented his "View From The Trade" report. He cited bullish and bearish market factors including larger than expected corn and bean crops. Futures are trading higher than last year. There is increased competition, cost of freight, index buying and a low relative strength indicator (RSI). Mr. Blodgett commented on trade news issues consisting of freight differentials between 52-railcar and 110-railcar units, cost of freight and traceability in regard to chemicals used in grain. He stated the tolerance on traceability on chemical residue will be very small, based on information from the Montana Grain Elevator Association and may force the IP issue. Mr. Blodgett mentioned General Mills picks random samples to test for chemical residue. Ms. Falcon added Japan would be releasing a current list of chemicals based on updated health agency requirements. Japan is very concerned about the testing capabilities of the U.S.

The MW&BC board photos were taken during a short break.

Bob Candee reported on his trip to the Saskatchewan Poundmaker Ethanol Plant. He stated it was the largest feedlot/ethanol facility in Canada with a capacity of 25,000 to 50,000 head of cattle per year. The facility cooks the ethanol with natural gas, which is made using only wheat. The plant uses about 35,000 thousand bushels of spring wheat per day. The ethanol plant is incorporated, so the wheat is taken first from the stockholders and then bought from other sources, as needed. The fermentation process takes approximately 66 hours before ethanol is made. Ethanol costs about \$1 per gallon to produce and sells for only \$1.50 per gallon. Canada has the rail facility to transport grain to the plant and then in turn, transports the ethanol to various end-users.

Brian Kaae presented the Northern Crops Institute (NCI) and the Wheat Marketing Center (WMC) Updates. Mr. Kaae briefly mentioned ongoing short courses being offered at NCI. He informed the Committee the next meeting will be in South Dakota and mentioned future plans for the following NCI meeting to be held in Sidney, Montana. Mr. Kaae announced the WMC had acquired a new tool to measure loaf volume, which is then digitally entered into a computer.

Dr. Jeff Jacobsen presented the MSU and Variety Release Updates. Dr. Jacobsen commented the USDA was responsible for the upcoming "Farm Bill Forum" and MSU would only be providing the meeting room. He spoke of the successful results of the recent Ag Appreciation Weekend. Dr. Jacobsen informed the Committee of two positions that would be opening up at the Havre Research Station. The superintendent, Don Anderson is retired, so his livestock position will be available. The other position open is in Agricultural Economics, which is 100% Extension Service. During the last legislative session, two positions were created – a Livestock Specialist and a Cropping Systems Agronomist. Dr. Jacobsen mentioned Wendell Morrill has just recently retired from the Land Resources and Environmental Sciences Department of MSU.

Dr. Jacobsen stated student enrollment decreased by fifty students in the MSU College of Agriculture. Expanded construction projects are on-going at the research centers due to the "Million Dollar Match" and the "Long Range Building Plan" programs.

Dr. Jacobsen reviewed the current wheat variety release information stating the "Chouteau" variety had been Plant Variety Protected (PVP). There are currently 1,700 acres of Genou, 1,200 acres of Yellowstone and 14,000 acres of Chouteau planted, with quite a lot of re-certification of Chouteau. The compliance rate is approximately 70%, which is not perfect, but coming along. Dr. Jacobsen informed the Committee \$4,000 has come back into the PVP fund, to date, and that a compliance enforcement policy will eventually need to be addressed if we want 100% compliance. Dr. Jacobsen reported information from the Technical Transfer office that Westbred, L.L.C. got the bid on three clearfield varieties. Mr. Schock stated a positive press release could be done to renew public awareness of the MSU variety release program.

Chairman Fast emphasized sawflies are a huge problem and the distribution of parasitoids must be expanded, as it will take several years for the parasitoids to actually start to eat the sawflies. Dr. Jacobsen noted a \$50,000 grant from Burlington Northern Santa Fe (BNSF) had recently been used for just that purpose, but would relay the information to David Weaver to use multiple tactics to attempt to reduce sawfly numbers.

Peggy Stringer presented the Montana Agricultural Statistics Service (MASS) report. Ms. Stringer distributed and discussed the latest reports from MASS. She reported "All Wheat" production is up 10% and winter wheat production is the fourth highest on record. Ms. Stringer mentioned the high volume of malt barley in storage in Montana. Mr. Kaae added the reason some barley received premium prices was due to consistency, with dryland barley having more protein than irrigated barley. Ms. Stringer informed the Committee that 250 questionnaires had been mailed regarding the 2007 Farm Bill, in collaboration with MSU and the MDA. It is an intensive survey regarding the effects of environmental conservation.

Ms. Cheryl Tuck, due to time constraints, distributed a packet of information which included: the Information Specialist Activities Diary, Information Requests, Trade Team updates, Web Trend Reports, Code-A-Phone Usage and Briefings for Montana State Legislators. Ms. Cheryl Tuck asked the Committee if there was time to reschedule the conference call with Ben Handcock of the Wheat Quality Council. It was noted there would not be time at this meeting.

The Committee adjourned at 5:00 p.m. and reconvened October 27, 2005 at 7:30 a.m. with an Executive Session.

Deputy Director Joel Clairmont presented the Financial and Administration Situation for the SGL. Deputy Director Clairmont introduced Kathy Seacat, Administrator for Central Services Division, Mary Hunt, CSD Fiscal Officer and Terry Kockler, CSD Personnel Specialist. Deputy Director Clairmont informed the Committee the SGL bureau chief position would be closing October 28<sup>th</sup>, with interviews being conducted shortly afterward. Deputy Director Clairmont stated ideas are being compiled regarding strategic planning for future profitability for the SGL. Ms. Seacat explained to the Committee that "indirect" charges paid by each state agency are used to fund CSD, and are based on 20% of personal services, such as salaries. Ms. Seacat mentioned current "indirect" charges for the SGL had been slightly over-stated to help pay for new computer software. The SGL received a new computer system upgrade including software that

was, in fact, paid for with a state land grant. Mr. DeBuff expressed concern the MW&BC funding to the SGL was being used to build a reserve for the Lab. Mr. DeBuff also mentioned he had been on the 2002 "Save the SGL Committee". Ms. Seacat noted she had used information from that committee in determining exactly where the SGL stood. Ms. Seacat informed the Committee the Legislature works on a biennium, which locks in spending authorization for a two-year period. Ms. Schott stated she would like to see comparison information including a strategic planning proposal indicating sustainability aspects for the Lab, at the MW&BC budget meeting, after a bureau chief had been hired for the SGL. A suggestion was made regarding the possibility of training the new SGL bureau chief on the equipment used by the lab, as well as the MW&BC to have a say in the job description for the SGL bureau chief position.

Discussion came up regarding several areas of concern. Keith Schott mentioned NAWG is currently looking into federal warehouse licensing issues. NAWG, NBGA, WETEC, and USWA are all considering CSP issues, but budget limitations have hindered the process. The watershed issue has also been budget driven, as well as the considerable time involved in filing all the necessary paperwork. The watershed opportunities only come up every eight years, with delays being typical of the process. Mr. DeBuff inquired what NAWG is currently doing to promote HWW. Mr. Edwards stated that NAWG is struggling with the HWW issue due to a lack of demand.

Election of officers was held and committee assignments for 2006 were discussed and assigned as follows:

<b>U.S. Wheat Associates</b>		<b>Wheat Foods Council</b>	
Budget Committee	Dan DeBuff	Board Member	Karen Schott
Board Member	Janice Mattson	Alternate Board Member	Janice Mattson
Alternate Board Member	Karen Schott	<b>Northern Crops Institute</b>	
<b>U. S. Grains Council</b>		Board Member	Brian Kaae
Board Member	Don Fast	Alternate Board Member	Don Fast
Board Member	Bob Candee	<b>Montana State University</b>	
Alternate Board Member	Brian Kaae	Liaison	Janice Mattson
<b>Wheat Marketing Center</b>		Liaison	Brian Kaae
Board Member	Karen Schott	Liaison	Don Fast
Alternate Board Member	Don Fast	Liaison	District 4
<b>National Barley Foods Council</b>		Variety Release Committee	District 4
Board Member	Janice Mattson	License Release Committee	Brian Kaae
Alternate Board Member	Karen Schott	Wheat & Barley Variety Protection Committee	Brian Kaae
<b>National Barley Improvement Committee</b>		<b>Northern Plains Ag Research</b>	
Board Member	Brian Kaae	Board Member	Brian Kaae
Alternate Board Member	Janice Mattson	Alternate Board Member	Don Fast
<b>Transportation</b>	District 4		

**5) M/S/C Brian Kaae/Janice Mattson** – That the MW&BC elect Dan DeBuff as Chairman and Karen Schott as Vice-Chairman of the MW&BC. The vote was unanimous.

Terry Whiteside presented the Transportation Update. Mr. Whiteside mentioned Douglas Buttrely, Acting Chairman of the Surface Transportation Board (STB), will be in Montana for the rail hearings later this week. Roger Nober, Chairman, who recently retired from the STB, will be taking over the lobbying position for BNSF. Mr. Whiteside mentioned the STB and the railroads

have taken several “cozy trips” together recently. He informed the Committee of a current survey on captive shippers and freight rate issues. Montana Farmers Union (MFU) and Montana Farm Bureau Federal (MFBF) have been collaborating with Whiteside and Associates on a white paper with the single most pressing issue being freight rates. The STB has moved away from regulation oversight because there are no requirements that the STB be fair, just reasonable. The STB is not an advocate, but an adjudicator, and the only thing that can be done at the federal level is to redefine what the STB is doing. At the state and local levels, the only recourse that can be done is to look at competitive options and trade ports respectively. A turning point has come because railroad revenue is adequate under these standards and that means the STB cannot use that as the trump card anymore.

Ms. Tuck mentioned the need for clarification on inspection issues, after speaking with Rick Callies, Vice President of Marketing Programs; USWA, DC. The current North American Free Trade Agreement (NAFTA) allows movement of wheat across the U.S./Canadian border without inspection, as directed by the Federal Grain Inspection Service (FGIS). Mr. Callies forwarded questions to the Director of Affairs of FGIS and a precedent has already been established to move wheat from the U.S. to Canada in this fashion.

Mr. Whiteside proposed a possible option in the fight against the excessively high freight rates and surcharges by the BNSF, which would involve shipping Montana wheat north through Canada to the Churchill, Manitoba port. This may be the only way to get BNSF to charge more reasonable rates by actually moving wheat through this port. BNSF needs a little competition to force it to be more cooperative in dealing with captive shippers. Mr. Whiteside inquired if MW&BC wants Whiteside and Associates to pursue this project, on behalf of the Committee, and asked who else should be involved to take the project to the next level. Mr. DeBuff offered help with initiating the project through USWA.

**6) M/S/C Karen Schott/Janice Mattson** - That the MW&BC have Whiteside and Associates pursue this project of shipping Montana produced wheat through Canada at the Port of Churchill and report information back to the Committee.

Discussion arose regarding giving direction to MSU wheat breeders on the HWW program that many foreign buyers appear to be interested in. The focus of this research should include: the wheat should be hard, sawfly-resistant and have the ability to germinate in wetland areas. Mr. Kaae added extraction to the list. Montana currently grows 80% HRW and 20% HWW. Mr. DeBuff would like to see at least 40% HWW and 60% HRW. Montana needs a HWW that will perform as well as HRW. Dr. Jacobsen highly encourages MSU faculty to interact with the Committee to ensure research efforts are on the right track.

Ms. Mattson brought up discussion again regarding directors serving on national organization executive boards. She expressed concerns that it is important the Committee support these efforts.

**7) M/S/C Janice Mattson/Karen Schott** – That whenever a MW&BC director has the opportunity to serve on a national organization executive board, the MW&BC will financially support that director for the entire timeframe of moving through the board chairs and serving on that board as a representative of the Committee. The vote was unanimous.

Deputy Director Clairmont informed the Committee the Department of Agriculture legal staff would have to review state policy regarding the above motion.

Janice Mattson presented the NBFC update. She stated that the MW&BC should keep the status quo for now and not give the NBFC an additional \$5,000 until after review of the budget.

Discussion regarding the failed merger attempt took place and a suggestion was made that a letter should be sent stating the position of the MW&BC. Mr. DeBuff emphasized the letter should be written and mailed within a seven days.

**8) M/S/C Dan DeBuff/Brian Kaae** – That the MW&BC is not interested in further discussion on the merger consolidation issue and that a letter stating the MW&BC's position be sent to all parties involved. The vote was unanimous.

Discussion was held about the WMC extending an offer to hold an elevator manager training class at the WMC in Portland, Oregon. Chairman Fast mentioned the invitation could be extended to the Montana Grain Elevator Association. Mr. Kaae proposed the MW&BC could possibly sponsor the cost of a meal for the interested parties. The idea was tabled for now, as approval and allocation of funding would be needed.

Discussion about having an "Open House" for the MW&BC's new executive vice president, Kim Falcon, took place. Mr. DeBuff proposed Ms. Falcon's open house should be at the joint MGGA/Montana Stock Growers Association (MSGA) convention in Billings so it could be tied in with an already-established farm organization event.

Discussion took place on the fact that the present position of the Executive Vice President is on a six-month probationary period. The Committee requested that Deputy Director Joel Clairmont include the Committee in the writing of the evaluation and the evaluation process itself. Dan DeBuff moved to put on record that Deputy Director Clairmont agreed to include MW&BC in this process. Motion was seconded and passed.

The meeting adjourned at 1:15 p.m. followed by a tour of the new International Malting Company (IMC) at 1:30 p.m.

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Kim Falcon, Executive Vice President

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Date